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Strengthening of the United Nations system: central role of the United Nations system in global governance

Global economic governance and development

Report of the Secretary-General

Summary

The present report, submitted in response to General Assembly resolution 65/94, focuses on the link between global economic governance and development in the aftermath of the world financial and economic crisis. Against the backdrop of the increasing relevance of economic governance for development, the report examines main features and shortcomings of the current system and reviews proposed options to address the various deficiencies and gaps of the existing framework. The approaches discussed in the report relate to the key areas of: strengthening the role and effectiveness of the United Nations system in economic governance, defining the relationship between the United Nations and the Group of Twenty (G20), enhancing the role of regional institutions and addressing related challenges. The report provides conclusions on ways to strengthen the international framework of global economic cooperation in support of development.

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I. Introduction

1. In its resolution 65/94, entitled "The United Nations in global governance", the General Assembly recognized the need for inclusive, transparent and effective multilateral approaches to managing global challenges and reaffirmed the central role of the United Nations in ongoing efforts to find common solutions to such challenges. The Assembly also requested the Secretary-General to submit an analytical report focusing on global economic governance and development, to be prepared in consultation with Member States and relevant organizations of the United Nations system. The present report is submitted in response to that request.

2. A note verbale was circulated to all Member States, seeking their views on the issue of global economic governance and development, and consultations were undertaken with the broader United Nations system through the Executive Committee on Economic and Social Affairs. The full text of replies received from Member States can be found on a dedicated website.[1] On 28 June 2011, the President of the General Assembly convened an informal thematic debate on the United Nations in Global Governance. An informal summary by the Secretariat and other background materials are posted on the same website.

3. In the present report, the term "global economic governance" refers to the role of multilateral institutions and processes in shaping global economic policies, rules and regulations. The report aims at highlighting possibilities for a strengthened international framework for global economic cooperation in support of development. However, it does not cover the institutional framework for sustainable development, particularly its environment pillar, one of the themes of the Rio+20 Conference, to be held in June 2012.

II. Relevance of global economic governance for development

4. The world has become more economically interdependent since the existing mechanisms of global economic governance were created more than 60 years ago. The sharp increases in trade and capital flows in recent decades have made individual countries, especially smaller and poorer ones, more susceptible to policies adopted by others. Individual welfare has also been affected. While some have benefited from this trend, others have fallen deeper into poverty and dependence. Yet, government policies and international arrangements for collective decision-making have not kept pace with changes. Existing governance arrangements do not adequately reflect the increased number of nation States and new economic realities, which have come about owing, in particular, to the increased importance of emerging market economies. Moreover, the absence of an institutional framework for effective consensus-building underscores divergent, and often conflicting, national interests, especially between developed and developing countries, and frequently hinders reaching implementable collective decisions.

5. Global governance systems need to be more capable of dealing with interconnected socio-economic challenges. They should facilitate more coherent and better-coordinated responses to crises and be supported by institutions that are representative, inclusive and effective. This includes being able to tackle global

[1] See www.un.org/esa/ffd/economicgovernance/index.htm.

economic imbalances; promote sustained, inclusive and equitable growth; advance multilateral trade agreements; enhance food and energy security; provide social protection for the poor and vulnerable; and strengthen mechanisms that reduce inequalities. Moreover, the governance of institutions should better reflect shifting economic weight among countries and be inclusive and representative while being equitable.

6. The recent financial crisis has emphasized the need to strengthen international macroeconomic policy coordination. Even where problems were well understood, there was little agreement on responsibilities in implementing cooperative actions. The challenge is to ensure that the international community will respond to global risks in a more timely, effective and cooperative fashion. For example, coordination should aim for mutually compatible policies on fiscal, monetary and exchange rate issues, and mechanisms should ensure policy accountability and implementation.[2]

7. Effective global economic governance is also of critical importance for achieving the Millennium Development Goals and implementing a post-2015 development framework (see A/66/126). With the adoption of the Millennium Development Goals, the international community recognized the increasing interdependence of the world's nations and peoples and the need to establish a framework to underpin inclusive and equitable globalization in the twenty-first century. Now, as ever, the challenge lies in effective implementation of the many commitments endorsed by the General Assembly and the Economic and Social Council for a more coherent and consistent global economic system in support of development.[3]

III. Salient features and deficiencies of existing global economic governance

A. Major building blocks and features

8. Global governance in economic and social areas features a highly decentralized system made up of many intergovernmental organizations with varied compositions, structures and purposes. Individual agencies take critical decisions within their areas of expertise in line with their own governance rules. Many are part of the United Nations system; yet, accountability for their policies does not extend beyond their membership, which can differ from one agency to another. Moreover, how countries are represented in these organizations varies widely, ranging from constituency-based systems, such as the executive boards of the International Monetary Fund (IMF) and the World Bank, to simple one-country-one-vote arrangements, as in the General Assembly.

9. A distinction should be made between the United Nations Organization proper, with its six principal organs, and the wider United Nations system of specialized agencies, funds and programmes. The existing architecture of global economic

[2] See United Nations, *World Economic Situation and Prospects 2011* (United Nations publication, Sales No. E.11.II.C.2), pp. 40-42.

[3] See, for example, the Monterrey Consensus of the International Conference on Financing for Development, the Doha Declaration on Financing for Development and the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development.

governance also includes a number of bodies not formally part of the United Nations system, such as the World Trade Organization (WTO), the Bank for International Settlements and the Financial Stability Board.

10. A multitude of processes and institutions involved in economic governance also exist at the regional and subregional levels, with structures that differ widely in depth, purpose and composition. Regional arrangements are in place, especially in three areas: (a) regional integration and economic policy coordination; (b) crisis prevention and mitigation; and (c) development financing. Most mechanisms have focused on trade, with looser provisions for other coordination. Comparatively high degrees of integration exist in Europe (the European Union), the Caribbean (particularly, within the Caribbean Community and the Organization of Eastern Caribbean States) and the Middle East (the Gulf Cooperation Council).

11. Regional and subregional development banks are recognized as effective for development financing, mainly providing investment, trade and project finance, supporting human development and stabilizing access to financial resources. They exist in every region, although with different priorities and strategies. Similarly, regional financial safety nets exist to prevent and mitigate financial crises.

12. The five United Nations regional commissions are important intergovernmental forums for policy dialogue and cooperation. They aim to foster economic integration at the regional and subregional levels, promote implementation of the Millennium Development Goals and support sustainable regional development.

13. Sovereign States have also often relied on informal arrangements and ad hoc groupings to deal with common concerns. Since the 1970s, global economic governance has increasingly involved small ad hoc groupings of States (namely, the G5, G7, G8, G10, G15, G24 and, most recently, G20). Some perceive these small groupings, which typically bring together countries sharing certain characteristics or common interests, to be more capable of taking timely action on pressing issues than the more inclusive international bodies. Meanwhile, driving many global economic and development issues within the United Nations system, the Group of 77 and China has helped promote the collective interests of developing countries and enhance their negotiating capacity.

14. Non-governmental organizations (NGOs) and the private sector have come to exert increasing influence on the global economic and social agenda. NGOs, representing civil society, have promoted development, with particular emphasis on social aspects, human rights, poverty eradication, gender equality and the environment. They are also involved in services once provided solely by Governments or intergovernmental organizations, including administering development programmes. Independent private organizations, like the World Economic Forum, have become important settings for multi-stakeholder dialogues. Over the past decade, the entire United Nations system has been increasingly recognizing the role and importance of the private sector, notably through major multi-stakeholder events such as the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002; the World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August to 4 September 2002; the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008; and the Global

Compact, which has advanced the concept of corporate social responsibility. Private sector organizations, labour and interparliamentary unions and NGOs are also prominent in international standard- and norm-setting. Furthermore, the private sector has been instrumental in providing resources and expertise on the policy environment, technical programmes, advocacy and communication, knowledge management and resource mobilization.

B. Main deficiencies and gaps

15. Current institutional arrangements have often been unable to adequately address the range of pressing development issues, including reducing global economic imbalances, advancing a developmental multilateral trade agreement and reducing the adverse impacts of natural disasters. The effectiveness of the existing architecture has been compromised by interrelated deficits in legitimacy, accountability, transparency, efficiency and coherence.

16. The unique legitimacy of the United Nations is based on its providing a truly universal and inclusive multilateral forum for dialogue and norm-setting. However, this distinctive feature of the United Nations has been associated with the General Assembly principle of one-country-one-vote, which is perceived to hinder its ability to take timely decisions on pressing economic and social issues. According to some, the difficulties in speedily arriving at multilateral solutions have been further exacerbated by the nature of deliberations and group negotiations at the United Nations, which result in lowest common denominator outcomes. Consequently, actual global economic policy formulation and implementation has moved to specialized agencies, which operate under their own governance structures, even if formally part of the United Nations system.

17. In the Bretton Woods institutions, the weighted vote and constituency system attempted to strike a balance between representation of all countries and accounting for their economic weight. However, this system no longer achieves its intent. Thus, in recent years, IMF and the World Bank have seen important debates seeking to redress imbalances in voice and representation and move towards more responsive and accountable governance. Most developing countries believe these measures still fall short of achieving appropriate representation (see A/65/189 and A/66/167).

18. The World Trade Organization (WTO) is different from the World Bank and IMF in that decision-making power is not delegated to a board of directors or governors, or the organization's management. All major decisions are normally made by the membership as a whole, and normally taken by consensus. However, a common recent practice has been for the chairs of the negotiating groups to seek compromise by consulting in smaller groups. Some delegations are concerned that these so-called "Green Room" meetings are not transparent, lack clear rules of representation and can lead to important compromises being struck without full knowledge and understanding of their implications.

19. Moreover, many argue that, as most actual formulation and implementation of global economic policies takes place in autonomous agencies, particularly the

Bretton Woods institutions,[4] the United Nations has become increasingly marginalized in this regard.[5] Deliberations in the Economic and Social Council have not been able to attract the same degree of participation by senior officials from finance, trade and economic ministries as corresponding deliberations by the Bretton Woods institutions and WTO. Despite commitments reiterated by the international community to enhance the coordination role of the United Nations in global economic governance, many influential Member States seem to have greater confidence in other institutions and groupings where they may have greater influence.

20. This may, in turn, have contributed to weak accountability for commitments made at United Nations summits and conferences, as well as for decisions by the main United Nations organs. An important instance is the failure to fulfil official development assistance targets, a major failure in development cooperation. Other examples include the limited importance given to the follow-up mechanisms for the Monterrey and Doha Conferences on Financing for Development and the relative marginalization of the United Nations in crucial areas of development cooperation (e.g., aid effectiveness and taxation). Commitments made at United Nations conferences and summits have no effective surveillance or accountability mechanisms, while the decisions of the Economic and Social Council and its functional commissions have no binding power.

21. In addition to the above-mentioned shortcomings, there are overarching problems relating to a lack of coherence, coordination and cooperation across the overall system of global economic governance. In particular, the decentralized post-Second World War design of global cooperation for development lacks a strong coordination mechanism to guarantee system coherence. Addressing coherence challenges has thus been among the main priorities in recent United Nations reform efforts.

22. The Economic and Social Council is the main United Nations body tasked with ensuring coordination, coherence and cooperation among the relevant economic and social bodies. However, the powers assigned to it have been weak and not fully exercised. While the Charter of the United Nations gives the Economic and Social Council responsibility to make recommendations and take decisions, these are not binding on Member States or specialized agencies. Consequently, while Member States repeatedly reaffirm the role of the Council in promoting the overall coherence, coordination and cooperation of United Nations system activities in economic, social and related fields, the Council continues to face difficulties in effectively fulfilling this role.

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[4] The Bretton Woods institutions were established by the United Nations Monetary and Financial Conference held at Bretton Woods in 1944. General Assembly resolution 124 (II) of 15 November 1947 approved the relationship agreements (A/349) between the United Nations and the Bretton Woods institutions and assured them of their independence. Document E/2009/115 provides an overview of the implementation of the agreements between the United Nations and the Bretton Woods institutions, focusing in particular on innovative institutional arrangements for enhancing collaboration between them in the economic, social and related fields.

[5] Some are of the view that the rest of the United Nations system should leave economic policy advice to the specialized agencies. For them, this is ostensibly because the United Nations Secretariat has limited technical capacity to provide sound macroeconomic policy advice and/or focuses on narrow development concerns.

23. In the Monterrey Consensus of the International Conference on Financing for Development,[6] the United Nations, the World Bank and IMF, together with WTO, are encouraged to address issues of coherence, coordination and cooperation, in follow-up to the Conference, at the spring meeting between the Economic and Social Council and the Bretton Woods institutions. The 2005 World Summit strengthened Economic and Social Council functions as a forum for policy coordination and accountability by introducing the annual ministerial review and the biennial Development Cooperation Forum. However, achieving greater inter-agency collaboration continues to be a challenge.

24. At the inter-agency level, the main mechanisms for promoting coordination, coherence and information-sharing are the United Nations System Chief Executives Board for Coordination (CEB), the Executive Committee on Economic and Social Affairs and the United Nations Development Group.[7] Since its establishment in 2000, CEB has led to some improvement in inter-agency coordination. Its High-level Committees on Programmes and Management have developed more effective and coordinated approaches to system-wide concerns and reform processes. But the Board's potential has not been fully realized and its decision-making role has been underutilized. Overall, CEB lacks the coordination powers and accountability required for enhancing system-wide coherence.[8] Similar concerns apply to the Executive Committee on Economic and Social Affairs; while it has helped promote coherence in the work of various United Nations Secretariat entities, it needs to further enhance collaboration among its members, develop strategic priorities that can be pursued collectively and strengthen linkages between its normative and operational work. Recently, some "One United Nations" country pilots have succeeded in improving policy coherence and effectiveness of the United Nations development system at the country level. By further strengthening the United Nations resident coordinator system, the United Nations Development Group should enhance synergies and efficiencies to improve United Nations support for national development plans and priorities.

25. Inter-agency cooperation has been hindered by competition for funding and by outdated business practices. The High-level Panel on United Nations System-wide Coherence has highlighted operational incoherence among United Nations funds, programmes and agencies at the country level. For example, more than one third of United Nations country teams have 10 or more United Nations agencies on the ground, often weakening the coherence of programme interventions, and exacerbating shortcomings in efficiency, transparency and accountability. There is no system-wide mechanism in the United Nations to implement common rules and

[6] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[7] CEB, chaired by the Secretary-General, comprises the executive heads of 28 member organizations of the United Nations system. The Executive Committee on Economic and Social Affairs, convened by the Under-Secretary-General for Economic and Social Affairs, aims to promote common approaches among entities in the United Nations engaged in normative, analytical and technical work in the economic and social fields. The United Nations Development Group, chaired by the Administrator of UNDP, unites the 32 United Nations funds, programmes, agencies, departments and offices that play a role in development, with a view to coordinating, harmonizing and aligning United Nations development activities.

[8] See Delivering as one: report of the High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment (A/61/583).

practices. Given the lack of incentives to harmonize for the benefit of the United Nations system as a whole, individual organizations pursue their own initiatives. United Nations system practices, processes and culture have evolved in an ad hoc manner over the years, often in response to specific situations and agency, country and donor needs. A more coherent development framework is therefore necessary to increase managerial accountability and effectiveness.[8]

26. At the global level, deficits in coherence, coordination and cooperation have meant that decisions on growth, finance, trade, employment and other issues are not always consistent with one another. Moreover, these challenges are sometimes compounded by limited coherence within the Governments of Member States. To reduce duplication and conflicting policy agendas, while better harnessing complementarities, it is crucial to more clearly define the roles of existing institutions.

27. Internationally consistent and effective financial regulation constitutes an urgent challenge. As the recent crisis suggests, better public oversight over and regulation of entities in the financial sector are urgent and indispensable. However, much of the existing international financial architecture relies on private organizations and institutions such as the Bank for International Settlements and the Financial Stability Board, which are limited in terms of their functions and not fully representative in terms of membership.

28. Another issue inadequately addressed by the multilateral system over recent years is the need for a comprehensive framework for sovereign debt restructuring (see A/66/164). This need has become more acute with the sovereign debt crises in some developed countries. Moreover, the growing importance of private and official non-Paris Club creditors in total external debt poses new challenges to official debt restructuring mechanisms, including the Paris Club, which requires its debtors to seek comparable treatment from other lenders, including private creditors.[9]

IV. Addressing deficiencies and gaps in global economic governance

A. Strengthening the role and effectiveness of the United Nations system

29. Enhancing the role and effectiveness of the United Nations system refers to the institutional architecture of global economic governance composed of the United Nations and specialized agencies, funds, programmes and other bodies. At the same time, strengthening the role of the United Nations organization within the wider United Nations system is critical, given its status as the only truly universal and inclusive forum, with its unique mandate to consider all issues in an integrated manner across its pillars of security, development and human rights.

[9] With regard to debt relief for poor countries, the Heavily Indebted Poor Countries Initiative, supplemented later by the Multilateral Debt Relief Initiative, had reduced the debt burden of eligible countries by over 80 per cent as of end 2010.

1. Recent intergovernmental mandates

30. The 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development resolved to strengthen the role of the United Nations and its Member States in economic and financial affairs, including its coordinating role (see General Assembly resolution 63/303, annex, para. 16). The 2008 Follow-up Conference on Financing for Development to Review the Implementation of the Monterrey Consensus adopted the Doha Declaration on Financing for Development, in which it underscored the need for United Nations involvement to improve the functioning of the international economic and financial system (see General Assembly resolution 63/239, annex, para. 68). In response, United Nations intergovernmental bodies have been devoting considerable attention to the subject of global economic governance. Most recently, the General Assembly at its sixty-fifth session focused its general debate on reaffirming the central role of the United Nations in global governance. Similarly, the issue was discussed by the Economic and Social Council at its 2011 special high-level meeting with the Bretton Woods institutions, WTO and the United Nations Conference on Trade and Development (UNCTAD).

31. In the 2005 World Summit Outcome the General Assembly called for further strengthening the role of the Economic and Social Council as a forum for policy debate and consensus-building (see General Assembly resolution 60/1). Responding to those mandates, the General Assembly adopted resolution 61/16, in which it established the annual ministerial review to monitor progress made in implementation of the United Nations development agenda, including the Millennium Development Goals, and the biennial Development Cooperation Forum to review trends and progress in international development cooperation, including aid effectiveness.

2. Recent proposals for reform

32. Whereas there seems to be widespread agreement on the need for reform of United Nations bodies such as the Economic and Social Council, there is far less consensus on what needs to be done to achieve this objective. For instance, proposals for instituting a coordination and policymaking mechanism either call for the creation of new mechanisms or argue for strengthening the Economic and Social Council and/or other existing bodies.

33. There has been a recent proposal to create a new mechanism, a global economic coordination council at a level equivalent to that of the General Assembly and the Security Council.[10] The new mechanism would promote development, secure consistency and coherence in the policy goals of major international organizations and support consensus-building among Governments on efficient and effective options to enhance global economic governance. Representation in the council would presumably be based on a constituency system and designed to ensure that all regions and major economies are represented, with relevant global institutions participating in its work.

34. Other proposals build on existing arrangements. For example, one option would preserve the current composition of the Economic and Social Council, but

[10] See the recommendations of the Commission of Experts of the President of the General Assembly on reform of the international monetary and financial system (A/63/838), para. 24.

increase the political impact of its recommendations by holding an annual meeting at the level of Heads of State or Government to consider major decisions on global economic governance. These summits could be complemented by ministerial-level meetings on sectoral issues, primarily involving economic, finance and other relevant ministers. Another idea would reduce membership of the Council, rendering it a smaller, but more effective and high-profile, mechanism. For example, the High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment proposed a Global Leaders Forum of the Economic and Social Council. The Forum would comprise the leaders of half of the Council's members, rotating on the basis of equitable geographic representation (see A/61/583, para. 59), or a combination of designated seats plus constituency-based seats. Yet another proposal would task the existing General Committee of the General Assembly to serve as a coordination committee on global economic governance, to be convened at least yearly at the summit level.[11] Interactions and collaboration among any such new mechanisms and the governing bodies of the Bretton Woods institutions and WTO must be carefully designed to be mutually complementary to ensure that these institutions see themselves as integral to the arrangement.

35. Proponents of such suggested mechanisms argue that the greater legitimacy, credibility and authority attached to their decisions would enhance coordination and cooperation across the United Nations system, in addition to ensuring more effective policymaking. Corresponding improvements in efficiency, accountability and transparency across the system must improve coherence and consistency among the various agencies. Most importantly, the representativeness of the proposed mechanisms, housed in the universal setting of the United Nations, would confer an authority to their decisions that cannot be matched by other bodies.[12]

36. Both the Global Economic Coordination Council and the Global Leaders Forum have been proposed as constituency-based, decision-making bodies. These could represent General Assembly or Economic and Social Council regional or other economic groupings. The approach should abide by the principles of democratic representation, transparency, inclusiveness and effectiveness. The effectiveness of such a system would not only depend upon the degree to which it can adopt and implement timely and practical decisions, but also upon its ability to ensure that the concerns of the entire United Nations membership are properly taken into account.

37. In the final analysis, any credible and workable mechanism of global economic governance should balance effectiveness with representation. This implies that it should involve a small number of actors; engage with a diverse group of countries; ensure participation based on simple and transparent criteria; and have the resources and clout to undertake and implement decisions.

Suggested targeted measures

38. The introduction of new or strengthened mechanisms requires significant political will on the part of United Nations Member States. In recent years, there has been considerable reluctance to create new structures or terminate existing ones. It

[11] Some have objected that the coordination committee would likely overlap with the work of the executive boards of the Bretton Woods institutions and would not receive the level of professional support that the IMF and World Bank secretariats provide to their boards.

[12] Membership of the Britton Woods institutions is nearly universal.

is a challenge to forge agreement on proposals to improve mechanisms, especially if they require amendments to the Charter of the United Nations. Besides such top-down changes, it would be useful to consider measures to enhance the functioning of United Nations organs and subsidiary machinery, improve coordination and efficiency, and strengthen engagement with non-State actors. These can be divided into three kinds of actions: (a) enhancing the functioning of relevant United Nations organs and subsidiary machinery; (b) promoting efficiency and coordination at inter-agency and operational levels; and (c) raising the credibility and profile of the United Nations.

(a) Enhancing the functioning of United Nations organs

39. With respect to the issue of improving the functioning of United Nations organs and their subsidiary machinery in the economic and social sphere, attention has focused on enabling the Economic and Social Council to better facilitate policy guidance and debate; promote coherence, coordination and cooperation within the United Nations system; and effectively follow up on United Nations conferences and summits.

40. In view of its coordinating role, the Economic and Social Council would be the ideal forum in which to assess issues and gaps related to the global economic governance architecture. Options to increase the credibility and effectiveness of the Economic and Social Council on the policy front include stronger relations with the Bretton Woods institutions, WTO and other relevant stakeholders, at both the secretariat and intergovernmental levels.

41. Practical changes that would enhance the coordinating role of the Economic and Social Council include greater engagement with national authorities at the operational/country levels, more focused Council functions and responsibilities, and better structured interaction between the Council and CEB. Better demarcating the roles and agendas of the General Assembly and the Council should allow the work programmes of both organs to be revised and made more complementary.

42. The Council's potential to facilitate a more efficient and integrated follow-up to United Nations conferences and summits should be better utilized. Forums like the annual ministerial review and the Development Cooperation Forum can increase accountability in implementation of internationally agreed development goals, including the Millennium Development Goals. To this end, proper systems of monitoring need to be instituted.[13] Knowledge and information sharing among relevant agencies and organizations within and outside the United Nations system remain crucial in this regard. In this context, the national voluntary presentations of the annual ministerial review need to be further strengthened and broadened to incorporate greater stakeholder involvement and technical inputs. Similarly, the Development Cooperation Forum should ensure complementarities and foster substantive linkages with other relevant forums to become a more effective platform for mutual accountability for the United Nations development agenda, including the Millennium Development Goals.

[13] Effective monitoring of progress towards commitments is dependent on global cooperation, especially among international agencies, and close consultation with national experts and statisticians.

43. The 2011 review of implementation of General Assembly resolution 61/16 on strengthening of the Economic and Social Council (see A/65/866, annex) resulted in a number of recommendations related, inter alia, to enhancing the relationship between the Council and other United Nations organs, specialized agencies, funds and programmes; strengthening the annual special high-level meeting of the Council with the Bretton Woods institutions, WTO and UNCTAD; focusing the Development Cooperation Forum agenda on a limited number of selected themes; enhancing the national voluntary presentations and preparatory work for the annual ministerial reviews; and improving the working methods of the Council.

44. The functioning of the General Assembly in the area of development and international cooperation can also be improved. For example, the implementation of the global partnership for development, embodied in the Monterrey Consensus and the Doha Declaration on Financing for Development, would be significantly strengthened by establishing a representative, multi-stakeholder financing for development committee at its centre, linked to the broader global economic governance mechanism under discussion.

(b) Promoting inter-agency coordination

45. The second category of proposed measures relate to actions to promote efficiency and coordination at inter-agency and operational levels. In its report, the High-level Panel on United Nations System-wide Coherence explored ways and provided recommendations to further strengthen the management and coordination of United Nations operational activities to improve the effectiveness of their contribution to the achievement of the internationally agreed development goals, including the Millennium Development Goals.[8] In response, the General Assembly adopted resolutions (resolutions 62/277 and 63/311) highlighting five key areas of concern: (a) strengthening institutional arrangements to support gender equality and women's empowerment; (b) strengthening governance of operational activities of the United Nations system for development; (c) improving the funding system of operational activities of the United Nations system for development; (d) "Delivering as one"; and (e) harmonization of business practices. In turn, the Secretary-General issued a report in 2009 providing, inter alia, options for improving the governance and financial reporting of operational activities for development, key principles for establishing an independent system-wide evaluation mechanism, and harmonization of business practices (A/64/589). The creation of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) in 2010 is an important landmark, reflecting significant progress for system-wide coherence and coordination within the United Nations.

46. In order to promote robust oversight, careful and improved performance, and results on the ground, it is important to establish clear lines of accountability among the governing bodies of the various United Nations agencies. Ultimately, this level of coordination implies an effective, legitimate and high profile governing mechanism for the United Nations system. Currently, such a system exists at the Secretariat level through CEB, which has advanced inter-agency coordination, but has not yet utilized its full potential. This year, CEB made noteworthy progress in the implementation of the Plan of Action for the Harmonization of Business Practices in the United Nations System and the adoption of a coordinated system approach for a fairer, sustainable globalization (see A/66/1, para. 110). However, its interaction with United Nations intergovernmental bodies needs to be strengthened.

47. Strengthened intergovernmental mechanisms should help the United Nations system deliver as one at the global, regional and country levels. In this connection, the High-level Panel on United Nations System-wide Coherence proposed the establishment of a Sustainable Development Board to replace the annual joint meeting of the executive boards of the funds and programmes.[8] The Board could be re-envisaged to include other relevant agencies and multilateral institutions. It would maintain strategic oversight of the system, review implementation of global normative and analytical work of the United Nations in relation to "One United Nations" at the country level, oversee management of funding mechanisms for the United Nations development agenda, endorse country development programmes and approve related allocations.

(c) Engaging non-State actors

48. The third category of suggested measures needs to raise the United Nations profile as a centre of analysis and a forum for global dialogue and consensus, with partners from the private sector, civil society, academic bodies and think tanks. Over the past few decades, intergovernmental processes within the United Nations system have increasingly been complemented by a growing array of engagement frameworks that bring Member States together with non-State actors in joint initiatives for policy analysis, action and evaluation. There are a number of areas where the United Nations, both at the Secretariat and intergovernmental levels, could further enhance the contribution of those actors.

49. Progress to facilitate non-State actor engagement in intergovernmental processes at the United Nations should continue. Closer engagement should also enhance their accountability at the global level. Apart from existing formal arrangements, such as consultative status with the Economic and Social Council, additional engagement mechanisms should be considered to enable Member States to seek timely input and expertise on new challenges and emerging issues. For example, in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development the Economic and Social Council was requested to make recommendations to the General Assembly regarding the possible establishment of an ad hoc panel of experts to provide independent technical expertise and analysis, "which would contribute to informing international action and political decision-making and fostering constructive dialogues and exchanges among policymakers, academics, institutions and civil society" (resolution 63/303, annex, para 56 (e)).[14] The Council recommended that the possible establishment of an ad hoc panel of experts should be further considered by the General Assembly, taking into account the outcomes of various related processes (Economic and Social Council resolution 2011/39).

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[14] The panel of experts could also contribute to strengthening global economic monitoring. In this regard, an evaluation of the performance of IMF surveillance in the run-up to the global crisis by the IMF Independent Evaluation Office had identified a number of shortcomings. In response, the IMF has taken steps to enhance its surveillance activities (for a detailed discussion see IMF, Independent Evaluation Office, "IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004-07", 2011; *World Economic and Social Survey 2010: Retooling Global Development* (United Nations publication, Sales No. E.10.II.C.1) chap. V; and A/66/167). For a discussion of past terms of reference and any relevant factors or experience of previous ad hoc panels of experts, see E/2009/113.

50. Engagement with non-State actors could also be further strengthened through multi-stakeholder initiatives. Functional commissions and follow-up processes to major United Nations conferences and summits have increasingly engaged non-State actors in their meetings and sessions. Informal arrangements for multi-stakeholder forums to promote greater engagement of non-State actors should be explored further.

B. Evolving relationship between the United Nations and the Group of Twenty

51. The emergence of the G20 as a high-level forum for international economic cooperation reflects the perceived problems of the existing Group of Seven (G7) finance ministers' forum and the increasing importance of several emerging economies in the global economy. However, concerns remain relating to the seemingly arbitrary selection of the group and its implications for other economies. These concerns suggest that the G20 should engage more systematically with the wider United Nations membership to better complement the multilateral system at large.

52. The limited membership of the G20 is seen by many as helpful for more effective and timely decision-making by key economic players. This perception has been reinforced not only by the G20 leaders' effective early response to the recent financial crisis, but also by other measures, such as reinforcement of the financial resources and reform of the lending facilities of IMF and provision of relief for Haiti's debt to international financial institutions. In financial regulation reform, the G20 has played a role in accelerating the replacement of the Financial Stability Forum with the Financial Stability Board. It has also made commitments to improve representation of developing countries in the Bretton Woods institutions.

53. While reaching consensus by involving only a small number of countries speeds up decision-making, the universal membership and inclusiveness of the United Nations helps ensure that its intergovernmental agreements better address macrofinancial and developmental concerns, including both immediate and longer-term issues, as well as those of non-G20 member countries. Hence, the G20 would enhance its legitimacy and effectiveness through greater consultation with and accountability to the wider membership of the United Nations and the broader multilateral system on the policy/operational front.

54. The operational activities of the United Nations system have been crucial in complementing the macroeconomic and financial actions of the G20, particularly in addressing the needs of the poorest countries and their most vulnerable populations. The United Nations system set in motion coordinated responses to the crisis, particularly the nine joint crisis response initiatives established by CEB (see E/2009/114, sect. III). These include additional financing for the most vulnerable, food security, trade financing, green recovery initiatives, a global jobs pact, a social protection floor and better monitoring and analysis, including developing an effective early warning system. All these initiatives represent collaboration among agencies deemed best able to undertake them.

55. Despite its limited membership, consensus-building in the G20 has been challenging. For instance, there is currently a stand-off on global imbalances and associated exchange rates, because of the inability to agree on the roots of the

problem or reforms to address them. The transition from crisis management to becoming a more established forum for economic cooperation on a broader range of issues brings up questions concerning how the G20 will deal with international problems, including climate change, other environmental challenges, employment issues, food and energy processes and corruption. Its ability to address such issues can be enhanced through improved relations with the broader United Nations membership.

56. The G20 has demonstrated greater willingness to involve non-members and foster new arrangements with relevant stakeholders within the United Nations system, including the Bretton Woods institutions, the International Labour Organization (ILO), the Food and Agriculture Organization of the United Nations (FAO) and UNCTAD, as well as WTO, the Organization for Economic Cooperation and Development (OECD), the Financial Stability Board, the Bank for International Settlements, civil society and the private sector. For example, at their Toronto Summit, G20 leaders made commitments to cooperate closely with the Bretton Woods institutions and to establish a working group on development. The Seoul Summit Declaration complemented existing development commitments, particularly the High-Level Plenary Meeting of the General Assembly on the Millennium Development Goals. During 2011, several United Nations organizations have engaged with G20 members in implementing the Seoul Multi-Year Action Plan on Development, particularly the food security pillar. By and large, international organizations contribute by providing technical expertise for reports and proposals. The G20 has called for enhanced food security policy coherence and coordination and welcomed progress on the Global Agriculture and Food Security Programme, as well as other bilateral and multilateral initiatives, including the Committee on World Food Security.

57. Calls for better relations between the United Nations and the G20 persist, such as that by some 28 small and medium-sized States Members of the United Nations, known as the Global Governance Group. The Global Governance Group has proposed several ideas to improve and institutionalize this engagement, including: (a) holding regular consultations with Member States; (b) formalizing the participation of the Secretary-General and other United Nations representatives at G20 summits and preparatory meetings; (c) engaging regional organizations; and (d) introducing a "variable geometry" configuration, whereby relevant representatives of non-Member States participate in working groups and other meetings on issues of specific concern to them.

58. It is crucial to ensure the complementarity of efforts among the G20, the United Nations and other multilateral organizations. During the 2011 special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD, some participants called for a transparent institutional coordinating mechanism between the G20 and the international organizations that implement their decisions, especially the Bretton Woods institutions, to identify and harness the strengths of all parties and to minimize problems of global economic governance and coordination (see A/66/75-E/2011/87).

59. The Global Governance Group also called for transparent interactions between the G20 and international organizations following agreed modalities. When international organizations are asked to implement G20 decisions, these should be referred to the organizations' formal governing bodies for appropriate consideration

and endorsement, as has been the case for the Bretton Woods institutions. In this connection, it was also recommended that studies carried out by international organizations for the G20 be routinely made available to all Member States and, where appropriate, discussed with them (see A/65/857, annex).

60. It has also been suggested that the G20 can play a catalytic role in promoting alliances between member and non-member countries and building political momentum on complex new issues such as climate change and international tax cooperation, especially by helping forge prior consensus among its members.

61. Suggestions have also been made to develop the G20 into a more formal and representative mechanism of international cooperation and to reconcile the tension between inclusiveness and effectiveness, including discussions on establishing a permanent secretariat for the Group. If such proposals gain support, consideration will need to be given to where the G20 would best fit into the institutional global economic governance architecture, including the United Nations system itself.

C. Enhancing the role of regional institutions

62. Regional institutions and arrangements have the potential to strengthen the existing architecture of global economic governance. They are well placed to capture and respond to specific regional needs and demands, especially for small countries. With deeper knowledge of the regions they operate in, they can better tailor programmes and instruments to country needs. While IMF can play a central role in macroeconomic coordination and surveillance at the global level, similar processes at the regional and subregional levels can complement and augment that role.[15] For example, some regional commissions have been supporting the regional economic communities in macroeconomic convergence policies.

63. While smaller and poorer countries are often most affected by global rules, they usually have little say in their design. Strengthening regional arrangements can help provide better representation for smaller, poorer countries and a stronger voice and ownership for them. Stronger regional institutions can also contribute to the development of a more consistent voice for a region in global forums.

64. Regional arrangements can also be beneficial in providing services to small and medium-sized countries, such as technical support or liquidity financing. Owing to their small size, the power of these countries to negotiate with large organizations is limited, and they will therefore benefit from enhanced competition in provision of financial and other services.

65. Globalization has enhanced intraregional trade and investment flows, increasing the potential for spillover effects. This provides the rationale for strengthening regional mechanisms for policy coordination, macroeconomic dialogue and surveillance, as well as developing regional crisis management instruments. Regional cooperation has the potential to help countries better mobilize resources, reduce costs and benefit from economies of scale.

[15] Whereas IMF also has a regional surveillance function, regional organizations may be better placed to fulfil this role, given their knowledge of countries, trends and conditions in their regions, particularly during regional crises.

66. There is significant scope for strengthening, consolidating and establishing regional mechanisms as part of a multilayered system. The coexistence of global, regional and subregional arrangements may mean that services are provided on a complementary basis in some cases and on a competing basis in others. The benefits of such an arrangement would be greater stability, owing to the fact that services are provided by more diverse institutions, as well as greater balance, owing to greater voice and representation for smaller countries.

67. The international community should explore synergies within such a multilayered network. For example, one proposal sees IMF as the apex of a network of regional and subregional reserve funds and swap arrangements, and another as a network of regional financial and monetary mechanisms collaborating through a global secretariat.[16]

68. As an initial step, it will be necessary to establish and strengthen linkages between the regional and the global levels. Regional agreements could inform global processes and vice versa. Within the United Nations, this could take place through a strengthened Economic and Social Council, and the coordination, catalytic and convening roles of the regional commissions. The capacity of the regional commissions should be strengthened to enable them to articulate a common regional position on the annual thematic focus of the annual ministerial review of the Economic and Social Council.

D. Addressing related challenges

69. There are important additional challenges relating to global economic governance that require serious consideration. These include the need to strengthen the representation of developing countries in non-United Nations bodies,[17] enhance the effectiveness of frameworks for resolving pressing economic issues currently addressed outside the United Nations system and strengthen South-South and triangular cooperation.

70. Further reform is needed to achieve more effective, adequate and legitimate country representation in the Bretton Woods institutions. In the Outcome of the 2009 Conference on the World Financial and Economic Crisis and Its Impact on Development, Member States reiterated that selection of the heads of the Bretton Woods institutions needs to be fully open, merit-based and transparent, with due regard to gender equality and geographical and regional representation (see General Assembly resolution 63/303, annex, para. 49). Similarly, efforts should be made to strengthen the representation of developing countries in other standard- and norm-setting bodies, such as the Bank for International Settlement and the Financial Stability Board.

71. Systematic measures are needed to address women's underrepresentation in arrangements of governance, where key policy decisions and resource allocations are often made without taking gender into account, thus perpetuating gender

[16] There has been discussion of these issues in various forums, including the United Nations and the IMF Executive Board, although no concrete conclusions have been reached.

[17] See the Doha Declaration on Financing for Development (General Assembly resolution 63/239, annex), para. 77.

inequalities. Reforms need to ensure women's equal participation so as to increase their voice and influence in economic governance.

72. Efforts are needed to fully realize the potential of existing multilateral frameworks. The international community must join forces to conclude the Doha round of multilateral trade negotiations and move towards a free, fair, open and equitable trading system that takes the interests of developing countries into account, particularly those of the least developed countries, including through special and differential treatment.

73. Efforts are also needed to address the absence of multilateral frameworks to tackle a wide range of pressing issues related to global economic governance and development. A more development-friendly global economic governance system should assist developing countries in achieving long-term debt sustainability, improving tax cooperation, promoting less volatile commodity markets, guaranteeing food security, promoting gender equality, accessing new technologies and protecting migrants' rights and their important economic contributions. There have also been proposals for improving the international financial architecture in support of development. In this context, the Commission of Experts of the President of the General Assembly on Reforms of the International Monetary and Financial System called for consideration of a new global financial authority to coordinate financial regulation, including oversight of certain global rules.[10]

74. Global economic governance should also incorporate mechanisms for anticipating and reacting to economic and social risks, including those associated with natural hazards. The Secretary-General's Global Pulse initiative tracks the impacts of crises on vulnerable populations, working closely with Member States and other partners to improve evidence-based decision-making to protect the vulnerable with actionable information, including by linking together existing early warning systems and databases. Further progress is nevertheless needed to better coordinate international action on risk anticipation and mitigation, and crisis prevention and preparedness, including capacity-building for crisis management in developing countries. This should also include medium- and long-term instruments such as social protection schemes to mitigate the impact of economic crises on vulnerable populations, and disaster risk mapping and reduction measures. A consolidated and comprehensive crisis management framework, including more disaster risk assessment tools, should become part of global economic governance to develop effective solutions to deal with crises and reduce vulnerabilities.[18]

75. Finally, there is need to coordinate policies among developing countries to help promote South-South and triangular cooperation particularly in support of least developed countries. Regional and subregional bodies may provide the appropriate settings to consider relevant issues in many instances since much of South-South cooperation takes place at those levels. Likewise, developing and developed countries engaged in triangular cooperation would benefit from an effective institutional framework consistent with greater harmonization of practices.

[18] See http://www.unglobalpulse.org/.

V. Conclusions

76. **There is a call for a small representative body within the United Nations to enhance coordination, cooperation, coherence and effective policymaking across the United Nations system. Serious consideration should be given to various proposals made in this regard. Any credible and sustainable mechanism should be constituency-based and balance effectiveness with inclusiveness and representation. It should involve a small number of actors in order to be prompt and effective; engage with all countries; have the capacity, resources and clout to undertake, implement and enforce decisions; and ensure its work is transparent.**

77. **Measures should be considered to enhance the functioning and working methods of relevant United Nations organs (especially the Economic and Social Council) and their subsidiary machinery, improve coordination and efficiency at the inter-agency and operational levels and enhance engagement with non-State actors. These efforts need to be continuous, with the performance of United Nations organs and bodies periodically reviewed and, when necessary, reformed. These measures may run parallel to and complement top-down reform.**

78. **There is need for enhanced engagement between the United Nations and the G20. Due consideration should be given to measures to ensure the complementarity of efforts involving the G20 and established multilateral organizations. More appropriate roles for the Secretary-General, heads of United Nations intergovernmental bodies and their representatives in G20 meetings would enable them to more effectively advocate in the broader interest of the world community and enhance relations between the United Nations and the G20.**

79. **Efforts should continue to further enhance the voice and representation of developing countries in the Bretton Woods institutions and other norm- and standard-setting bodies, as called for in the Monterrey Consensus, the Doha Declaration on Financing for Development and the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development. Moreover, the international community should address gaps in multilateral frameworks in areas such as financial regulation, international tax cooperation and sovereign debt restructuring.**

80. **Regional institutions and arrangements should be better incorporated into the framework for global economic governance. This framework should evolve into a multilayered system, including a strong network of regional and subregional institutions, including the regional commissions, development banks, reserve funds, and trade and investment agreements. The role of the Economic and Social Council in strengthening linkages between governance mechanisms at the regional and global levels should be correspondingly enhanced.**

81. **Going forward, Member States may wish to discuss global economic governance and development, with a view to enhancing the coherence of all three pillars of sustainable development. These deliberations should integrate the outcome to the 2012 Rio+20 Conference, in particular measures to strengthen the institutional framework for sustainable development at all levels.**